

Berrien Springs Community Library
Berrien County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Berrien Springs Community Library**

We have audited the accompanying financial statements of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2008, and for the year then ended, which collectively comprise the Berrien Springs Community Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Berrien Springs Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, as listed in the contents, is not a required part of the basic financial statements of the Berrien Springs Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Berrien Springs Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

September 8, 2008



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BASIC FINANCIAL STATEMENTS

Berrien Springs Community Library

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

March 31, 2008

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Current assets:			
Cash	\$ 171,841	\$ -	\$ 171,841
Investments	1,551	-	1,551
Receivables	217,417	-	217,417
Prepaid expenses	<u>2,686</u>	<u>-</u>	<u>2,686</u>
Total current assets	<u>393,495</u>	<u>-</u>	<u>393,495</u>
Noncurrent assets:			
Beneficial interest in assets held by foundation	29,269	-	29,269
Capital assets not being depreciated - land		48,000	48,000
Capital assets, net of accumulated depreciation	<u>-</u>	<u>987,677</u>	<u>987,677</u>
Total noncurrent assets	<u>29,269</u>	<u>1,035,677</u>	<u>1,064,946</u>
Total assets	<u>\$ 422,764</u>	<u>1,035,677</u>	<u>1,458,441</u>
LIABILITIES			
Payables	<u>\$ 16,517</u>	<u>-</u>	<u>16,517</u>
FUND BALANCE			
Reserved, nonexpendable	25,000	(25,000)	-
Unreserved	<u>381,247</u>	<u>(381,247)</u>	<u>-</u>
Total fund balance	<u>406,247</u>	<u>(406,247)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 422,764</u>		
NET ASSETS			
Invested in capital assets		1,035,677	1,035,677
Restricted, nonexpendable		25,000	25,000
Unrestricted		<u>381,247</u>	<u>381,247</u>
Total net assets		<u>\$ 1,441,924</u>	<u>\$ 1,441,924</u>

Amounts reported in the statement of net assets are different because:

Total fund balance	\$ 406,247
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	<u>1,035,677</u>
Total net assets	<u>\$ 1,441,924</u>

See notes to the financial statements

Berrien Springs Community Library**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE***Year ended March 31, 2008*

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of activities</u>
Program expenditures/expenses			
Recreation and cultural - library:			
Operations	\$ 334,007	\$ (55,501)	\$ 278,506
Depreciation	-	88,791	88,791
Capital outlay	<u>23,252</u>	<u>(23,252)</u>	<u>-</u>
Total program expenses	<u>357,259</u>	<u>10,038</u>	<u>367,297</u>
Program revenues			
Charges for services	16,967	-	16,967
Operating/capital grants and contributions	<u>11,350</u>	<u>5,000</u>	<u>16,350</u>
Total program revenues	<u>28,317</u>	<u>5,000</u>	<u>33,317</u>
Net program expenses	<u>(328,942)</u>	<u>(5,038)</u>	<u>(333,980)</u>
General revenues			
Property taxes	216,453	-	216,453
State grants	7,070	-	7,070
District court penal fines	91,481	-	91,481
Investment return	<u>12,818</u>	<u>-</u>	<u>12,818</u>
Total general revenues	<u>327,822</u>	<u>-</u>	<u>327,822</u>
Change in fund balance/net assets	(1,120)	(5,038)	(6,158)
Fund balance/net assets - beginning	<u>407,367</u>	<u>1,040,715</u>	<u>1,448,082</u>
Fund balance/net assets - ending	<u>\$ 406,247</u>	<u>\$ 1,035,677</u>	<u>\$ 1,441,924</u>
Change in fund balance			\$ (1,120)
Amounts reported in the statement of activities are different because:			
Capital assets:			
Acquisitions			78,753
Contributed			5,000
Provision for depreciation			<u>(88,791)</u>
Change in net assets			<u>\$ (6,158)</u>

See notes to the financial statements

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Berrien Springs Community Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

The Library is a Class III public library, serving patrons of the Village of Berrien Springs and the Township of Oronoko, Michigan. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the single governmental fund, using the columns labeled "Operating Fund."

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the general government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

iii) Prepaid assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Furniture and equipment	10 years
Materials	5 years

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e) *Property tax revenue recognition*:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the previous year. The billings are due on February 14, with the final collection date of February 28, after which time the bill becomes delinquent and penalties and interest may be assessed by the Library. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - BUDGETARY STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

The annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the function level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. For the year ended March 31, 2008, the Library experienced the following significant instances of actual expenditures exceeding budgetary amounts.

	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation and culture	\$ 299,400	\$ 334,007	\$ (34,607)
Capital outlay	5,000	23,252	(18,252)

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that operate within the State. The Library's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$70,377 of the Library's bank balances of \$174,445 was exposed to custodial credit risk.

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued):

Investments:

At March 31, 2008, the Library's sole investment consists of 38 shares of American Electric Power, reported at fair value, which were received through donation. Normally, a library cannot invest in corporate equities, however, state law permits such investments to be held if received through donation. Once such holdings are sold, the proceeds from sale cannot be reinvested in similar investments.

NOTE 4 - RECEIVABLES:

Receivables (all of which are due within one year) as of March 31, 2008 are as follows:

Property taxes	\$ 216,417
Accounts	<u>1,000</u>
	<u>\$ 217,417</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Depreciable capital assets:				
Buildings	\$ 1,277,071	\$ -	\$ -	\$ 1,277,071
Improvements	88,150	20,211	-	108,361
Furniture and equipment	124,721	19,321	-	144,042
Books and a/v material	<u>233,060</u>	<u>44,221</u>	<u>(41,869)</u>	<u>235,412</u>
Subtotal	<u>1,723,002</u>	<u>83,753</u>	<u>(41,869)</u>	<u>1,764,886</u>
Less accumulated depreciation for:				
Buildings	(473,032)	(31,927)	-	(504,959)
Improvements	(22,392)	(7,027)	-	(29,419)
Furniture and equipment	(92,051)	(9,099)	-	(101,150)
Books and a/v material	<u>(142,812)</u>	<u>(40,738)</u>	<u>41,869</u>	<u>(141,681)</u>
Subtotal	<u>(730,287)</u>	<u>(88,791)</u>	<u>41,869</u>	<u>(777,209)</u>
Depreciable capital assets, net	992,715	(5,038)	-	987,677
Land	<u>48,000</u>	<u>-</u>	<u>-</u>	<u>48,000</u>
Total capital assets, net	<u>\$ 1,040,715</u>	<u>\$ (5,038)</u>	<u>\$ -</u>	<u>\$ 1,035,677</u>

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

The Library's building is in substance, a capitalized lease of property owned by the Township of Oronoko. The Library occupies the facility rent free. Upon maturity of the bonds issued by the Township to finance the project costs, the building will be turned over to the Library, by quitclaim deed. The bonds mature in May 2008.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION:

Beneficial interest in assets held by foundation:

Amounts shown as beneficial interest in assets held by foundation represents monies placed with the Berrien Community Foundation (the Foundation) by the Library, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds, and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, agency endowment fund. The Library reports this asset at the present value of future payments expected to be received. The portion of the asset that is considered nonexpendable is shown as a separate component of fund balance/net assets.

NOTE 7 - PAYABLES:

Payables as of March 31, 2008, consist of:

Accounts payable	\$ 11,145
Accrued payroll	<u>5,372</u>
	<u>\$ 16,517</u>

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Library makes contributions to IRA accounts, on behalf of eligible employees. Total contributions made during the year ended March 31, 2008, totaled \$6,185.

NOTE 9 - CLAIMS ARISING FROM RISKS OF LOSS:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. These risks of loss are managed through purchased commercial insurance.

NOTE 10 - CONTINUANCE OF FUNDING - MILLAGE RENEWAL:

The current ten-year voted authorization for property taxes levied by the Library expires December 12, 2016. The authorization provides for an annual millage rate of 1.0000.

REQUIRED SUPPLEMENTARY INFORMATION

Berrien Springs Community Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Operating Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 194,500	\$ 194,500	216,453	\$ 21,953
State grants	1,800	1,800	7,070	5,270
Charges for services	13,000	13,000	16,967	3,967
Fines and forfeitures	91,000	91,000	91,481	481
Investment return	2,600	2,600	12,818	10,218
Contributions	1,500	1,500	11,350	9,850
Total revenues	<u>304,400</u>	<u>304,400</u>	<u>356,139</u>	<u>51,739</u>
EXPENDITURES				
Recreation and cultural:				
Salaries	162,600	162,600	166,057	(3,457)
Books	38,000	38,000	49,138	(11,138)
Building and equipment maintenance	37,000	37,000	46,912	(9,912)
Utilities	15,000	15,000	15,689	(689)
Payroll taxes	12,400	12,400	12,610	(210)
Professional services	8,000	8,000	9,497	(1,497)
Supplies	6,500	6,500	7,190	(690)
Employee benefits	5,700	5,700	11,370	(5,670)
Insurance	6,500	6,500	6,000	500
Administrative costs	1,600	1,600	2,637	(1,037)
Communication	2,000	2,000	2,555	(555)
Education and transportation	2,100	2,100	2,597	(497)
Programs	1,000	1,000	1,755	(755)
Miscellaneous	1,000	1,000	-	1,000
Total recreation and cultural	<u>299,400</u>	<u>299,400</u>	<u>334,007</u>	<u>(34,607)</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>23,252</u>	<u>(18,252)</u>
Total expenditures	<u>304,400</u>	<u>304,400</u>	<u>357,259</u>	<u>(52,859)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(1,120)	(1,120)
FUND BALANCES - BEGINNING	<u>407,367</u>	<u>407,367</u>	<u>407,367</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 407,367</u>	<u>\$ 407,367</u>	<u>\$ 406,247</u>	<u>\$ (1,120)</u>

September 8, 2008

To the Board of Trustees
Berrien Springs Community Library

We have audited the financial statements of the governmental activities and the major fund of the Berrien Springs Community Library for the year ended March 31, 2008, and have issued our report thereon dated September 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Berrien Springs Community Library are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Berrien Springs Community Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

- Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Library's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Berrien Springs Community Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Berrien Springs Community Library as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Berrien Springs Community Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

- The financial records (including computer generated) are maintained in the home of an individual. The Library is at risk for loss of records and of data security. The Library should be aware of the risks associated with the location of its accounting records and establish policies and procedures to limit its exposure to such risks. The Library may want to discuss the matter with its insurance carrier. This is a recurring comment.

This communication is intended solely for the information and use of the Board of Trustees of the Berrien Springs Community Library and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall A.C.